



**Section 108 Loan Guarantee Program
Community Development Block Grant (CDBG)
U.S. Department of Housing and Urban Development**

Maryland Brownfield Conference 2021



Today's Topics



Project Examples



CDBG Overview



CDBG Section 108 Basics



Combining 108 with Other Financing



Resources

An architectural rendering of a modern, multi-story building with a prominent central tower, set against a twilight sky. The building's windows are illuminated from within. In the foreground, a vibrant public plaza is shown at dusk, featuring a paved walkway, trees, and a water feature with several small fountains. People are depicted walking and interacting in the plaza, including a woman holding a child's hand. The overall scene conveys a sense of a lively, pedestrian-friendly urban environment.

Types of Section 108 Projects with Examples

Types of Section 108 projects



Economic Development

Central Business District Support

Retail/Office and Manufacturing

Small Business Financing

Business Retention

Housing



Loan Funds for Third Party Developers

Adaptive Reuse

Supporting New Housing Construction

Rehab of private housing stock and public housing



Public Facilities

Community Centers

Park Upgrades

Hospitals

Gov't Bldgs serving Residents

Infrastructure



Water & Sanitation

Streets, Curbs and Gutter Improvements

Broadband Line Extensions

Devastated Landscapes

Scale of Section 108 projects

Solar Panel Systems

Rehab of Affordable Housing

Remediation and New Construction

Sidewalk and Curb Improvement

Construction of Community Centers

Acquisition, Clearance

Park Upgrades

Cooperative Development

Multi-use Anchor



Incremental Improvements

Substantial Project

Transformational Initiative

Demolition + Remediation + Flood Control Example



Meriden, Connecticut

TOTAL 108 FINANCING: \$1,500,000

Demolition and Flood Control

- The City used a Section 108 guaranteed loan to fund the demolition of abandoned structures on a seven-acre Factory H Brownfield site as a precursor to the installation of flood control infrastructure and creation of an open/green space public facility.
- The City created flood control infrastructure to prevent future flooding in low- and moderate-income neighborhoods surrounding Factory H. This will improve the immediate area from one that can currently only contain water from a 25-year storm to one that can contain water from a 100-year storm.
- The City is repaying the Section 108 loan over a 15-year term using its annual CDBG allocation as the source of its repayment.
- For Additional Security, the City is pledging its full faith and credit.

Landfill Cap + Remediation + Park Space Examples



Waltham, Massachusetts

TOTAL 108 FINANCING: \$4.195M

Landfill Remediation

- The City will use 108 funds to complete the testing for the final cap and construct the cap. Once the cap is in place, the City will design and build a park at the City-owned site. The current site of the former landfill occupies 8.69 acres of land in one of Waltham's lowest income neighborhoods.
- The landfill was originally used as a dump site for ashes from coal and heating furnaces in 1912, with up to 35,000 tons of ash dumped on site annually until 1971 when the site was closed. The task of the scope of work, to be funded by Section 108 loan funds, is to complete an evaluation of alternative corrective actions to be implemented to address the specific conditions of contamination. With the cap in place, the City will be able to develop a viable and sustainable neighborhood amenity that will reduce blight and improve the lives of residents in the area

Remediation + Urban Ag + Economic Development Example

Cleveland, Ohio

TOTAL 108 FINANCING: \$3.97M

Green City Growers Greenhouse Cooperative

- 108 funds were used to remediate and redevelop 10.68 acres of an industrial/residential site into an employee-owned cooperative greenhouse that created 42 full-time jobs producing 2 million pounds of healthy greens and 200,000 pounds of fresh herbs annually.
- The City assembled the parcels and then sold the site to a developer to carry out the project consisting of two buildings, a greenhouse with multiple bays and a packing house where produce will be prepared for shipping. The developer leases the facility to the Green City Growers cooperative.



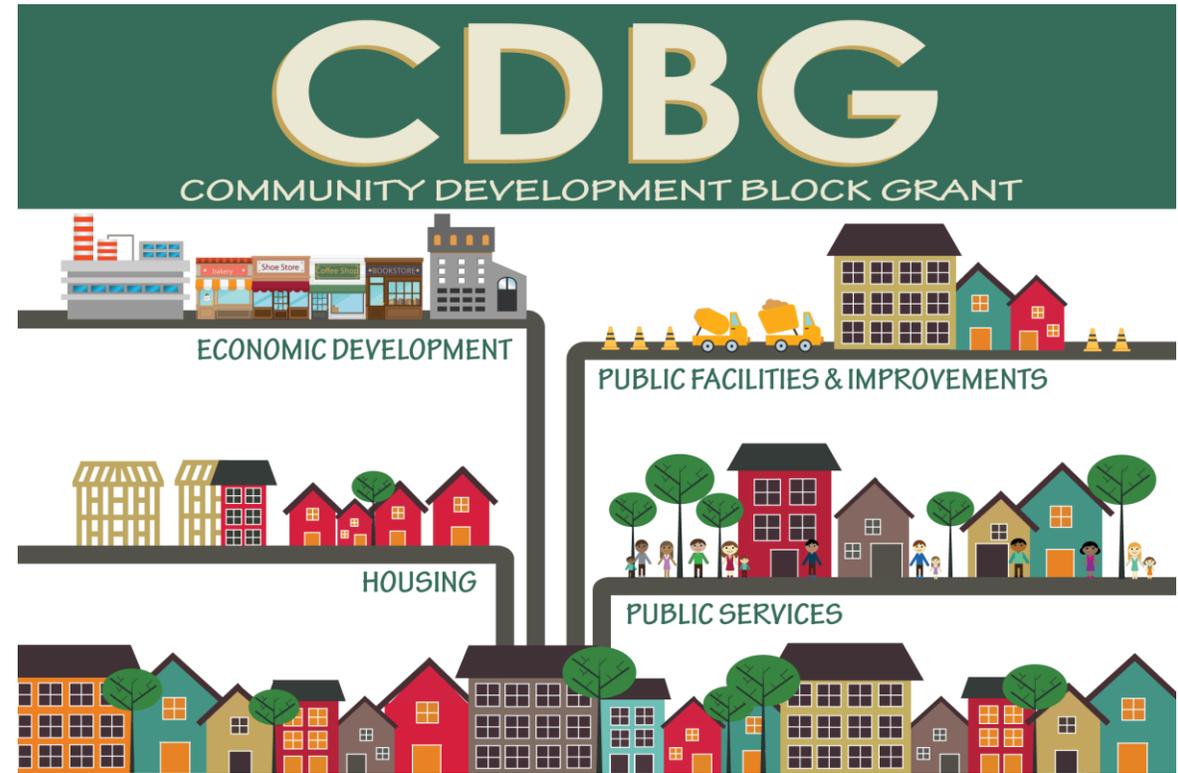


Section 108 Basics

Community Development Block Grants (CDBG)

The CDBG Program provides **annual grants on a formula basis** to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.

- \$3.45 billion in FY 2021
- Approximately 1200 grantees nationwide
 - 30% states
 - 70% cities (over 50K) and counties (over 200k)
 - Separate funding for Tribes, Territories, and after Presidentially Declared Disasters



HUD's Section 108 Loan Guarantee Program



- Provides loan guarantees (up to 5x the CDBG grant), not grants
- Offers recipients a non-competitive means of accessing lower interest rates
 - Variable Rate Financing: 3-month Treasury Bill Auction Rate + 35 bps = 0.056% + 0.35% = 0.406% on [10/27/21](#)
- Employs the programmatic framework of the CDBG Program
- Dedicated staff willing to provide 1-on-1 Technical Assistance



CDBG and Section 108 National Objectives



Benefit to Low- and Moderate-Income Persons

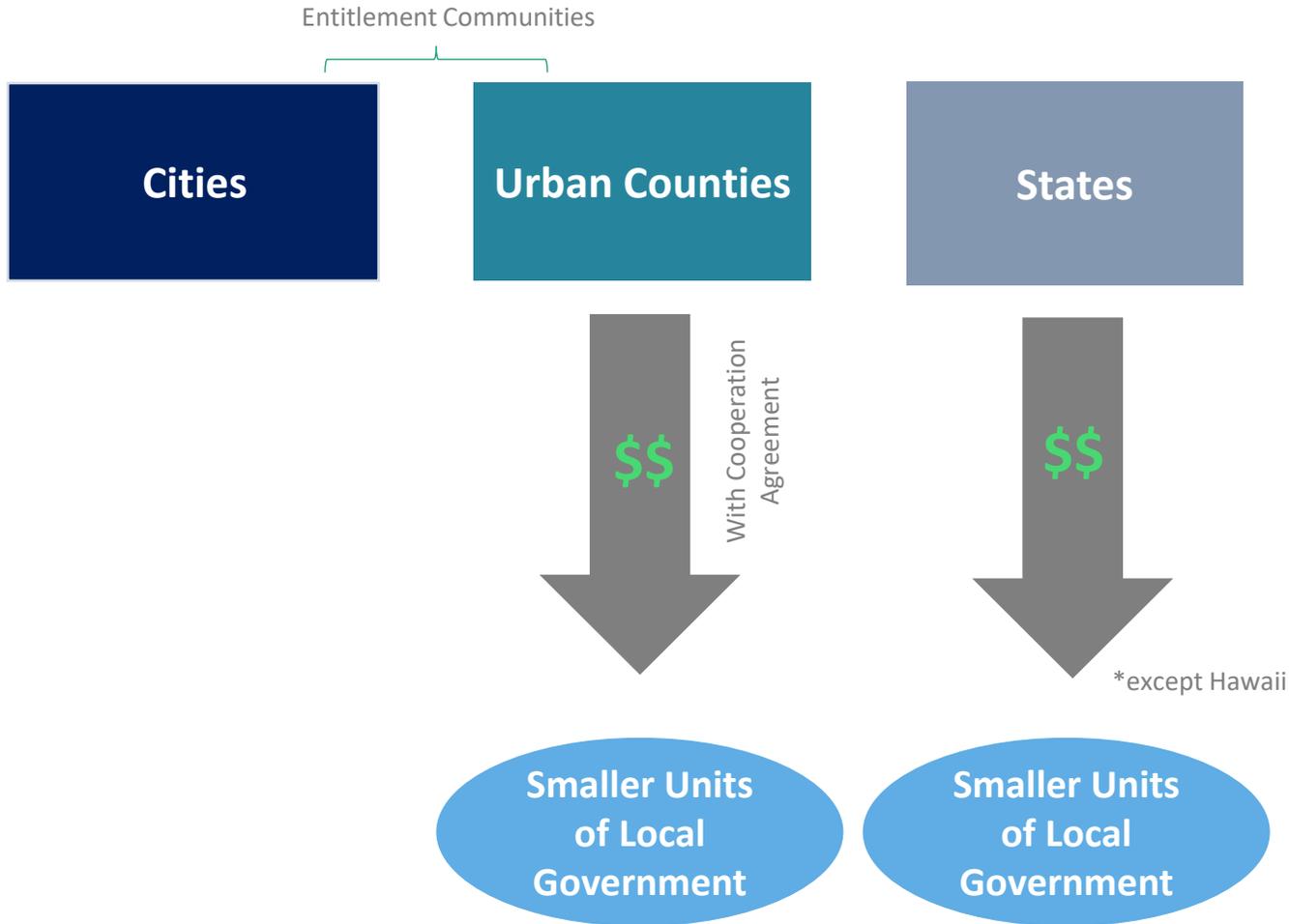


Elimination of Slum & Blight



Urgent Need

Who has access to CDBG & Section 108 funds?



Subrecipient entities and other partners may receive Section 108 funds directly if they are public agencies

Examples: economic development or public housing authorities, community development corporations, non-profits

* Non-entitlement communities in Hawaii and Insular Areas receive CDBG funds as well

Section 108 Borrowing Capacity

Annual CDBG Allocation		\$3,000,000
Max available borrowing capacity	x 5	= <u>\$15,000,000</u>
Outstanding 108 commitments	-	\$800,000
Outstanding 108 loan balance	-	<u>\$2,000,000</u>
Available borrowing capacity		= \$12,200,000

Or you can just look on our website here:

<https://www.hudexchange.info/resource/5197/current-availability-of-section-108-financing-cdbg-entitlement-and-state-grantees/>

Section 108 Borrowing Capacity for Maryland

Entitlement Communities in MD	Borrowing Capacity
Annapolis	\$1.5M
Anne Arundel County	\$10.7M
Baltimore	\$95M
Baltimore County	\$21.2M
City of Bowie	\$968K
Cumberland	\$3.4M
Frederick	\$2.1M
City of Gaithersburg	\$2.3M
Hagerstown	\$4.1M
Harford County	\$5.6M
Howard County	\$6.8M
Montgomery County	\$25.1M
Prince George's County	\$25.1M
Salisbury	\$2.0M
State of Maryland	\$39.9M

These borrowing capacity calculations are based on the FY2021 CDBG grant awards as well as grantees' outstanding Section 108 guaranteed loans & commitments as of 11/10/21

Approaches to using Section 108

Project Specific:

- Application is for a specific project or projects
- Requires a high level of project detail & specificity for financial underwriting by HUD Headquarters

Loan Pool:

- Application describes type of loan pool projects to be funded along with the community's underwriting process
- Individual projects must have a Field Office determination letter to funds to be drawn



Stages for Section 108 Deployment

Preparation/ Pre-development

Implementation

Acquisition

Demolition

**Site prep &
remediation**

**Relocation
costs**

**Rehab of
Structures**

**Machinery &
equipment**

Working capital

**Infrastructure +
improvements**



**Program
Requirements**



**Financial
Requirements**



**Program
Requirements**

FINANCIAL

Repayment

Collateral

Primary Source:

Pledge of current and
future CDBG

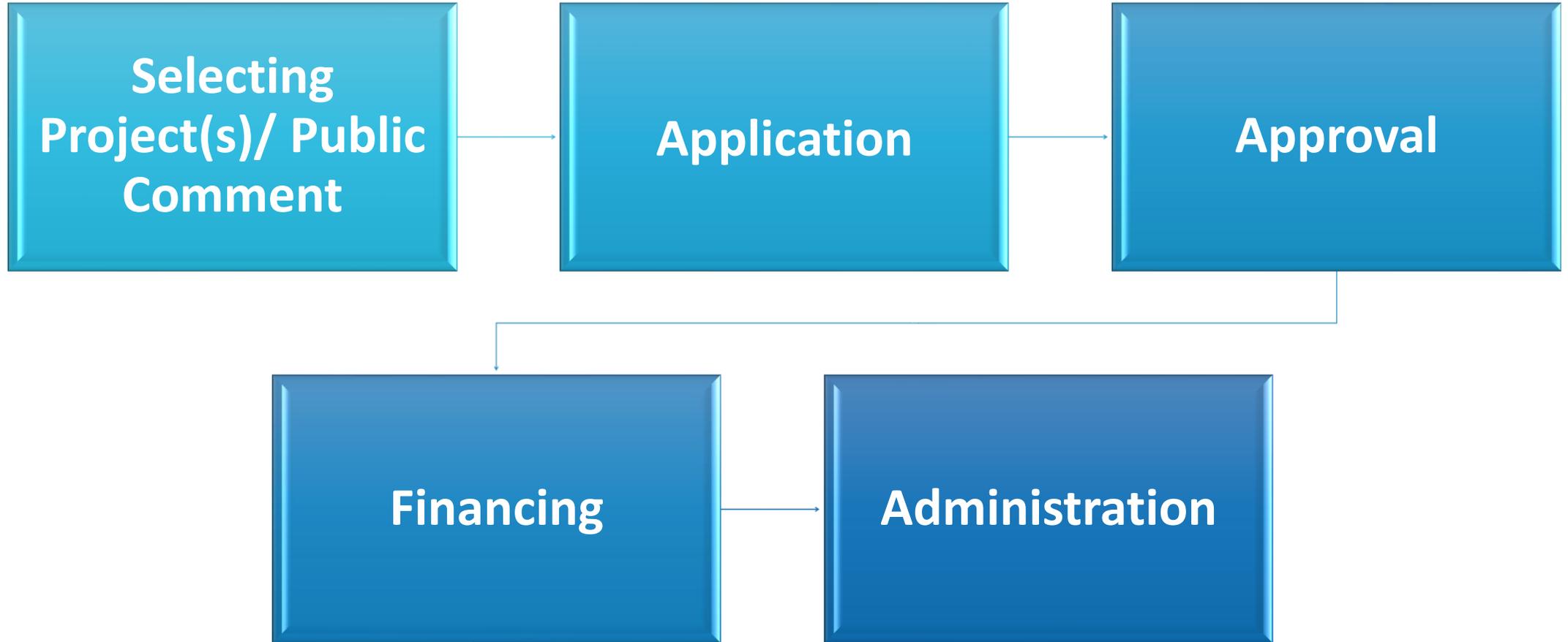
Potential Sources of
Additional Collateral:

Property lien

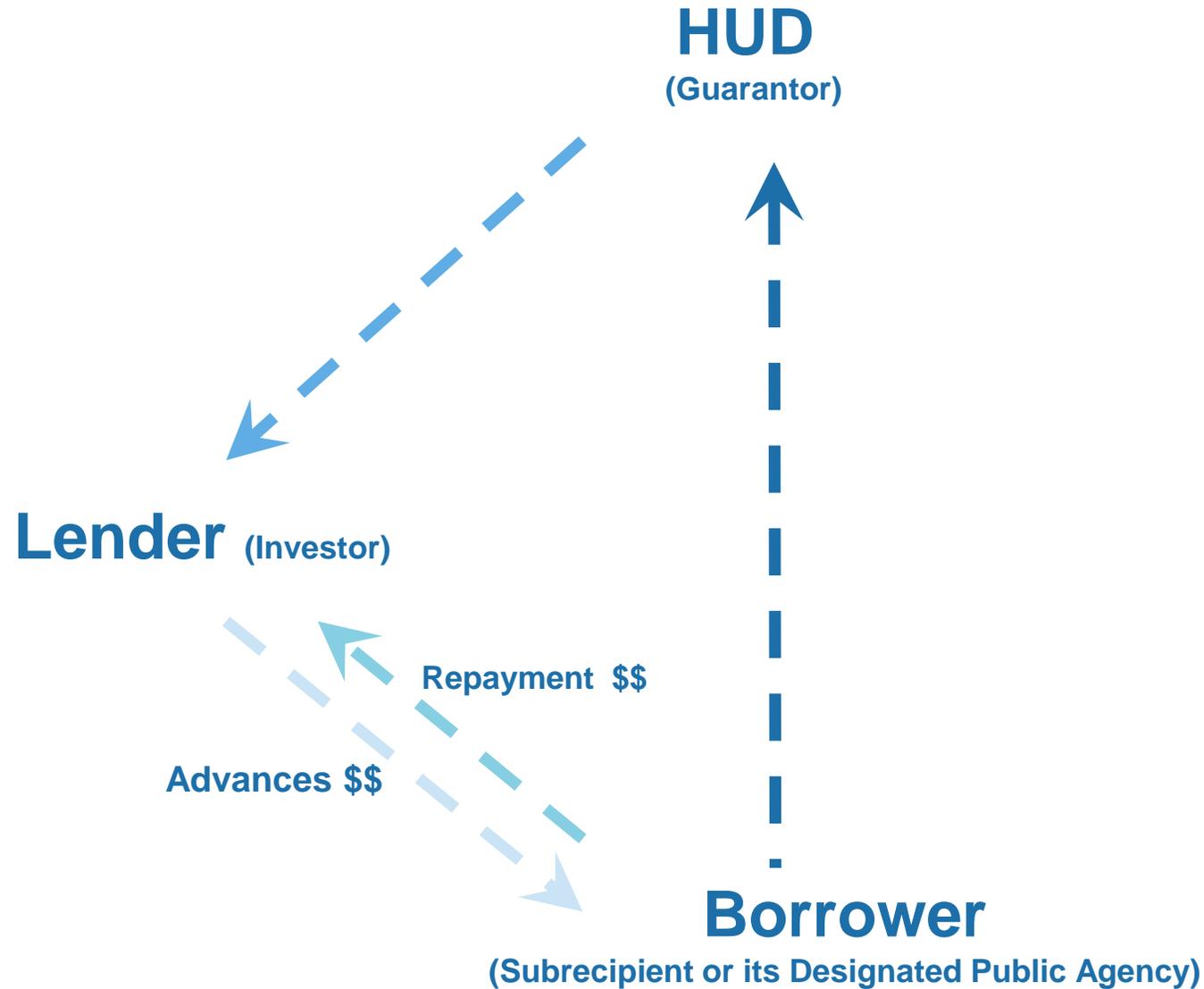
Full faith and credit

Reserves (subject to
appropriations)

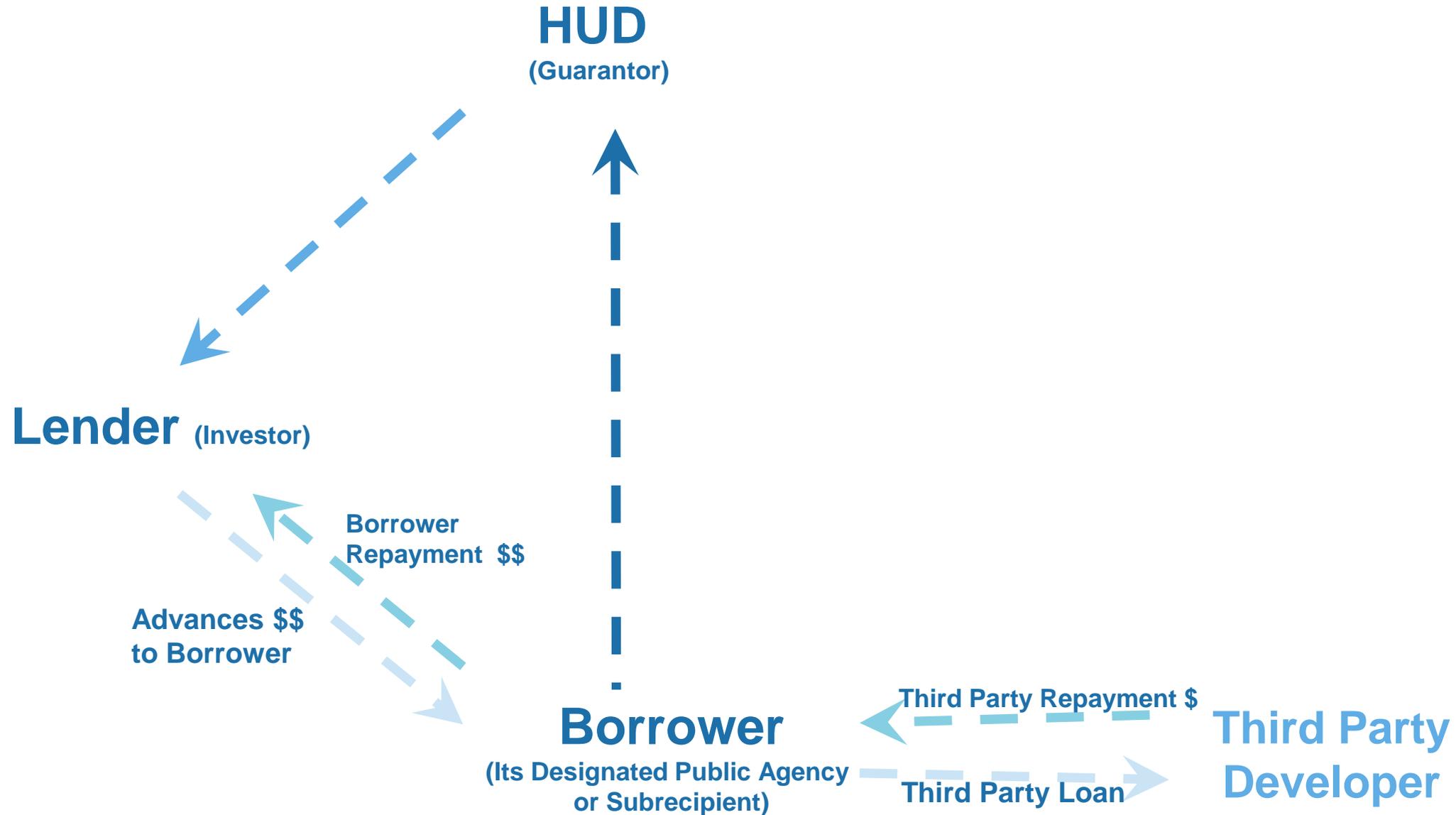
Section 108 Process



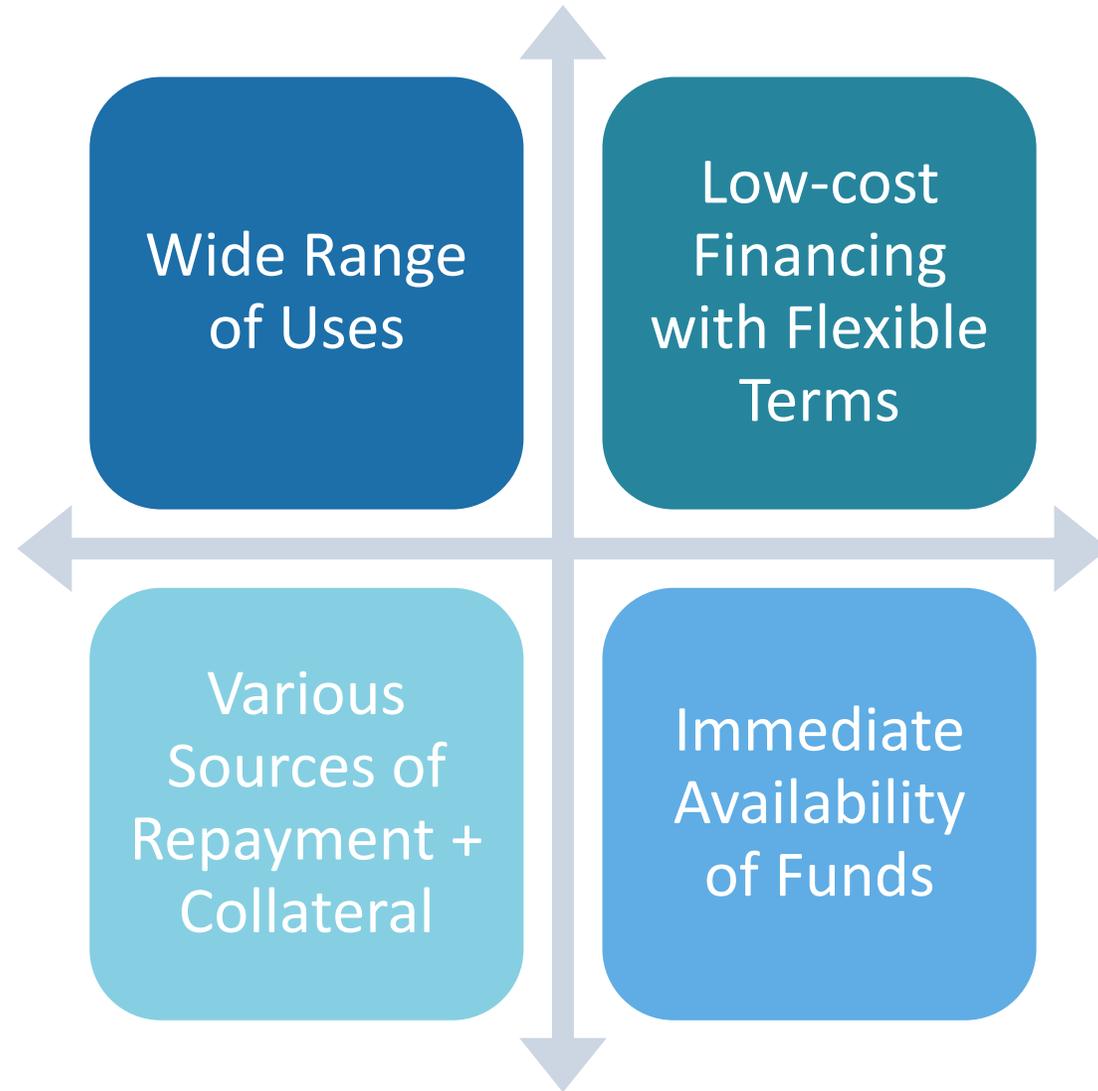
Flow of Funds: Project by the Applicant

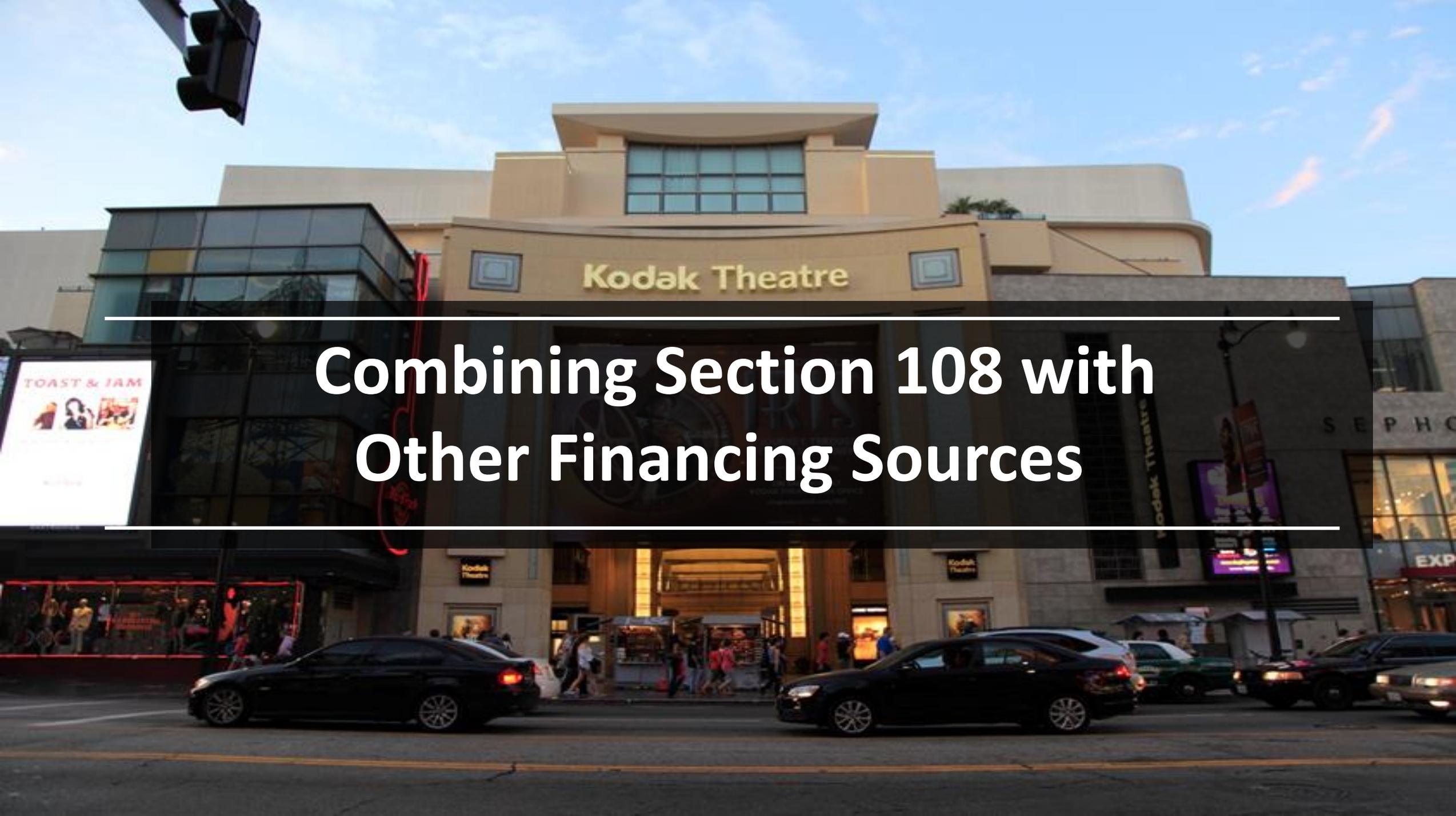


Flow of Funds: Project with a Third Party Developer/Borrower



Why is Section 108 an attractive financing tool?





Kodak Theatre

Combining Section 108 with Other Financing Sources

TOAST & JAM



SEPHORA

EXP

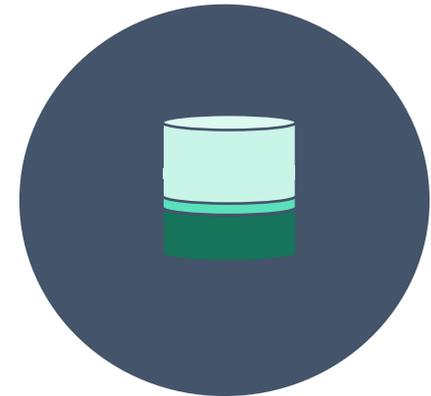
How does **Section 108** fit into the financing for a project?



STANDALONE



LAYERED



GAP

Combining Section 108 with Other Federal Financing



➤ New Market Tax Credits



➤ EDA Public Works & Economic Adjustment Assistance



➤ Historic Tax Credits



➤ 7(a) Loans
➤ 504 Loans



➤ BUILD Grants
➤ TIFIA



➤ Low-Income Housing Tax Credits
➤ Opportunity Zones



➤ Revolving Loan Funds
➤ Brownfields Remediation Financing
➤ WIFIA



Resources



Section 108 General Resources

HUD has created resources on HUD Exchange to assist potential borrowers with developing applications:

- Borrowing capacity spreadsheet [*updated annually*] [Link](#)
- Application Checklist [Link](#)
- Single certifications document [Link](#)
- Section 108 Application & Finance Process Infographic [Link](#)
- Project profiles for all applications approved in recent fiscal years [Link](#)
- [Join our mailing list to get email updates! Link](#)



Many other resources are available on HUD.gov and HUDexchange.info

Note: FMD is willing to provide 1-on-1 Technical Assistance during any project cycle stage for interested applicants.

Section 108 offers in-depth, tailored Technical Assistance

Conceptualization

- Walk-through eligibility requirements
- Offer suggestions and share examples of similar projects

Application Preparation

- Provide Joint Technical Assistance with Field Offices
- Identify appropriate sequencing and deal structure

Application Process

- Help to clarify outstanding issues related to underwriting
- Share guidance and best practices on documentation

Financing Phase

- Identify additional collateral
- Advise on loan proceeds and disbursements

Implementation

- Ongoing guidance on compliance and reporting
- Dynamic ability to amend project terms to meet borrower's needs

FMD is willing to provide 1-on-1 Technical Assistance during any project cycle stage for interested applicants.

For More Information



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Section 108 Program: <https://www.hudexchange.info/programs/section-108/>

